

CCD-HOBBS

Form 3160-5
(August 2007)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0137
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS *Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.*

5. Lease Serial No
NMLC068281B

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE – Other instructions on page 2.

7. If Unit of CA/Agreement, Name and/or No

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No
RUSSELL FEDERAL 01

2. Name of Operator
Quay Valley, Inc

Sahara Operating

9. API Well No
30-025-21741

3a. Address
PO Box 51470, Midland, Texas 79710

3b. Phone No. (include area code)
432-687-4900

10. Field and Pool or Exploratory Area
44820 MASON: DELAWARE

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Section: NWNE 20, Township: 28S, Range: 32E, Median: NMP

Unit B

995 FNL

2332 FEL

11. Country or Parish, State
LEA COUNTY, NM

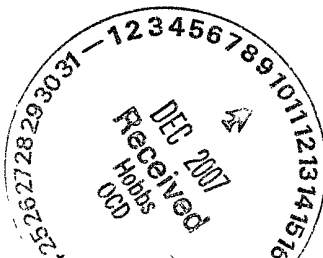
12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Change of Operator</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation. Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

These properties were sold effective 11/1/07 and a new operator assigned effective 11/1/07. New Operator is Sahara Operating Company, PO Box 4130, Midland, Texas 79704, Office phone #432-697-0967, Office fax #432-697-0969. Sahara Operating has an Irrevocable Letter of Credit in favor of the BLM, Letter of Credit No.: 910268. Please see copy attached if needed.

One Sundry of each well on attached legal location description.



14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)
Stella Swanson

Title President

Signature

[Signature]

Date

11/1/07

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Chris Williams

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

FOR RECORD ONLY

Legal locations for each additional well for the attached Sundry Notice.

Wells continued:

Site Name	Well	¼ ¼	Sec	Tw	Range	Mer	Lease	State	County	API
Russell Federal	02	SE	NW 20	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-21794
Russell Federal	04	NE	NW 20	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-22050
Russell Federal	05	SW	SE 17	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-22170
Russell Federal	06	NE	SW 20	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-22390
Russell Federal	07	SW	NE 20	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-22555
Russell Federal	08	NE	SE 17	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-22687
Russell Federal	09	NW	NW 20	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-28101
Russell Federal	10	SW	NW 20	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-28472
Russell Federal	11	NW	SE 17	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-28909
Russell Federal	12	NW	SW 20	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-29231
Russell Federal	13	NE	NE 20	26S	32E	NMP	NMLC068281B	NM	LEA	30-025-29510

IRREVOCABLE LETTER OF CREDIT

Issuing Financial Institution: Community National Bank
Letter of Credit No.: 910268

Telephone No.:	(432) 685-8400	Amount:	\$25,000.00
Address:	401 W. Texas	O&G Lease No.:	
City:	Midland	Date Issued:	3-20-2007
State, Zip:	Texas 79701	Date Filed:	

On behalf of Sahara Operating Company as Obligor, we Community National Bank, (hereinafter referred to as "bank"), hereby establish an **IRREVOCABLE LETTER OF CREDIT (LOC)** in favor of the Bureau of Land Management (BLM) and agree to immediately pay upon demand by and to the Department of the Interior (BLM), the full amount of **TWENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$25,000.00)** upon receipt of a written demand therefore by the Authorized Officer (AO) of the BLM retaining the personal bond of the Obligor whose bond this letter serves as security pursuant to 43 CFR Section 3104.1.

This LOC is effective the dated filed with BLM and will expire exactly one year from the dated filed. This credit will automatically be extended for periods of (one year or such longer periods as may be determined by the bank) from any such scheduled expiration date as originally scheduled or as automatically extended by this provision.

In the absence of a notice from the bank to the AO from at least 90 days prior to the stated or any extended expiration date, not to renew the credit represented by the LOC, the LOC will be automatically renewed in full force and effect for an additional one year period. Non-renewal notification will be sent to the AO by Certified Mail Return Receipt Requested.

Upon receipt by the AO of a non-renewal notice from us, the AO may draw on us for up to the amount of this LOC, prior to the expiration thereof, provided that such draft is accompanied by a statement signed by the AO to the effect that no satisfactory replacement bond has been provided by the Obligor prior to 30 days before this LOC expires, pursuant to 43 CFR 3104.1 (c) (ii).

It is also understood that, at any time this LOC is in effect, the AO may draw on this LOC for any amount, up to the full amount to cover any default in obligations covered by the bond, including but not limited to, rentals, royalties, and appropriate reclamation of lands associated with development of oil and gas in any leases(s) to which the bond applies.